



STATE OF WASHINGTON

## ECONOMIC AND REVENUE FORECAST COUNCIL

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OLYMPIA, September 16, 2010 – Since our June forecast U.S. economic growth has slowed sharply. Revisions to historical data by the Bureau of Economic Analysis (BEA) reveal that consumer spending was lower and savings higher than previously announced. GDP growth in the second quarter was revised from a below trend 2.4% SAAR (seasonally adjusted annualized rate) to an even slower 1.6%. Job growth remains anemic; housing is looking for a new bottom; and, despite some easing in credit conditions, small businesses continue to face a challenging credit environment. The Washington recovery also lost momentum in the summer months after strong growth in the spring. Revenue collections since June have been weaker than expected, confirming the slowdown in the recovery.

The September 2010 General Fund-State forecast for the 2009-11 biennium is \$28.5 billion, which is \$769.9 million less than the June forecast. Revenue collections since the last forecast were \$191.8 million below our June forecast. The remaining reduction of \$578.1 million is mostly due to a weaker near-term economic outlook than assumed in June. The September 2010 General Fund-State forecast for the 2011-13 biennium is \$33.4 billion, which is \$668.7 million less than the June forecast, mostly due to a weaker economic forecast.

As required by law, optimistic and pessimistic alternative forecasts were also prepared. The forecast based on more optimistic economic assumptions netted \$375 million (1.3%) more revenue in the 2009-11 biennium and \$2,430 million (7.3%) more revenue in the 2011-13 biennium than did the baseline forecast. The pessimistic alternative was \$435 million (1.5%) lower in 2009-11 and \$2,817 (8.4%) million lower in 2011-13. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$33 million (0.1%) more revenue in the 2009-11 biennium but \$95 million (0.3%) less in the 2011-13 biennium.

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